



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
FOR: IMMEDIATE RELEASE

DATE: 9/27/00  
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## **Securities Division Alleges Arthur Andersen L.L.P. Committed Fraud in Connection with Securities Sold by the Baptist Foundation of Arizona**

Phoenix – The Securities Division of the Arizona Corporation Commission filed a Notice of Opportunity for a Hearing today alleging violations of the Securities Act of Arizona by Arthur Andersen L.L.P.

According to the Notice, Arthur Andersen allegedly committed fraud by issuing unqualified (clean) audit opinions on the financial statements of the Baptist Foundation of Arizona ("BFA"), even after receiving information that senior management at BFA was perpetrating a financial fraud upon investors.

According to the Notice, in 1994 Arthur Andersen began encountering an increasing number of significant warning signs that the management of BFA was perpetrating a financial fraud upon investors. Then, during the 1996 audit, a former BFA employee provided information to Arthur Andersen about the financial operations of BFA that confirmed what the warning signs had previously suggested. Soon after learning this information, Arthur Andersen attempted to change its audit approach and obtain the data needed to confirm or deny the allegations of the former BFA employee. BFA's senior management refused, however, to produce the information Arthur Andersen requested. At this point, instead of taking all steps necessary to either confirm or deny what was now a credible allegation of financial fraud Arthur Andersen simply accepted what limited information BFA senior management provided and issued a clean audit opinion for 1996. The Notice alleges that after the issuance of the 1996 audit opinion, in excess of \$200,000,000 of new investor money was raised by BFA, New Church Ventures and/or Christian Financial Partners.

Even when the allegations of fraud by BFA senior management became public during and after the 1997 audit, Arthur Andersen did not take any steps to address the evidence of financial improprieties. In fact, the Notice alleges there is evidence that Arthur Andersen purposefully modified its audit workpapers or failed to include information that displayed knowledge of the fraud that was being perpetrated on the investing public. Ultimately, by its actions and inaction, Arthur Andersen misled the BFA Board of Directors by continuing to issue unqualified opinions on the audited financial statements. The BFA Board of Directors, in turn, continued to offer securities to the public based on the clean audit opinions Arthur Andersen thus facilitated the perpetuation of the financial fraud upon investors.

BFA, Arizona Southern Baptist New Church Ventures, Inc. and Christian Financial Partners, Inc. offered and sold securities to investors located in Arizona and throughout the United States and several foreign countries. The financial statements were included in offering materials used to sell the securities. The entities filed for bankruptcy on November 9, 1999, owing investors approximately \$590,000,000.

The Securities Division has asked the Commission to order Arthur Andersen to cease and desist from violating the Securities Act of Arizona, and requested that relief be ordered including restitution for investors and administrative penalties. Arthur Andersen has ten business days to request a hearing or the Commission may enter an order granting the relief requested by the Division.

**A copy of the Notice can be obtained from the Division's website which is located at: <http://www.ccsd.cc.state.az.us/enforcement/enforce-actions.asp>**

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